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# Drawbacks

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fession of accountancy and the public as it has in law, medicine and dentistry, by making it obligatory upon any one who wishes to practice the profession of accountancy that he first become a certified public accountant. It behooves any one who looks forward to a career in accountancy to prepare for such an event.

# Drawbacks

THE developing interest in foreign trade and the export field brings to mind a point of contact between accounting and exporting in the matter of "drawbacks."

Many articles manufactured in the United States contain elements which have been imported. Such of the manufactured product as is sold within the United States differs in no respect from any article composed entirely of domestic material. On such of it as is exported, the manufacturer having taken the proper steps, may benefit under the provisions of the tariff law through what is known as a "drawback."

The manufacturer must pay the duty as the foreign articles to be used in the manufacture come into the country. He may upon application to the Secretary of the Treasury receive regulations governing the procedure in handling and accounting for the article and establishing the rate of drawback. These are determined after investigation by a special agent of the Treasury Department and are transmitted to the Collector of Customs at the port from which the exportations are to be made.

The manufacturer, shipper, exporter, or the agents thereof, must file in the office of the Collector of Customs a Notice of Intent to Export. The manufacturer must subsequently make a claim, filing a certificate of manufacture, a copy of the export bill of lading, and a landing certificate of the foreign consignee.

The Collector, after the manufacturer has complied with all the formalities, liquidates the entry and pays to the claimant ninety-nine per cent of the duty paid on the imported materials.

The accountant must needs be on the lookout for these matters because of their effect upon the accounting. If all the materials imported were later to be exported as a part of manufactured goods, the problem would not be difficult. Instead of charging the duty into the cost of manufacture, as would be the case if none of the goods were to be exported, ninety-nine per cent of the duty would be set up as an asset under some such title as "Duty Deposits on Export Materials."

It rarely happens that all of such articles as contain imported elements are exported. In most cases some of the product is sold in this country. It therefore becomes a question of determining with regard to each article what proportion of the quantity is exported. This information is then used as a basis for apportioning the duty on imported material. That portion of the duty which relates to the material to be exported is set up as an asset and withheld from cost while the other portion passes on like any other duty into the cost.

Subsequent adjustments of the "Duty Deposit on Export Material" account will probably be necessary as the actual amount of drawbacks is determined. This adjustment should, strictly speaking, be made the profit and loss account rather than the cost of materials. As a practical matter the adjustment is likely to be so small by comparison that no great damage will be done if the adjustment is made through the regular duty account.

Some concerns pay no attention to the duty on export materials until such time as the drawback is recovered. The amount is then credited to profit and loss. This method is objectionable where amounts large in proportion to the material cost are concerned because of the fact that the true costs are thus obscured.